ANNUAL REPORT
2009/10

CanadaWest
FOUNDATION

Canada*West*
FOUNDATION

The Canada West Foundation is the only think tank dedicated to being the objective, nonpartisan voice for issues of vital concern to western Canadians. Through our research and commentary, we contribute to better government decisions and a stronger Canadian economy.

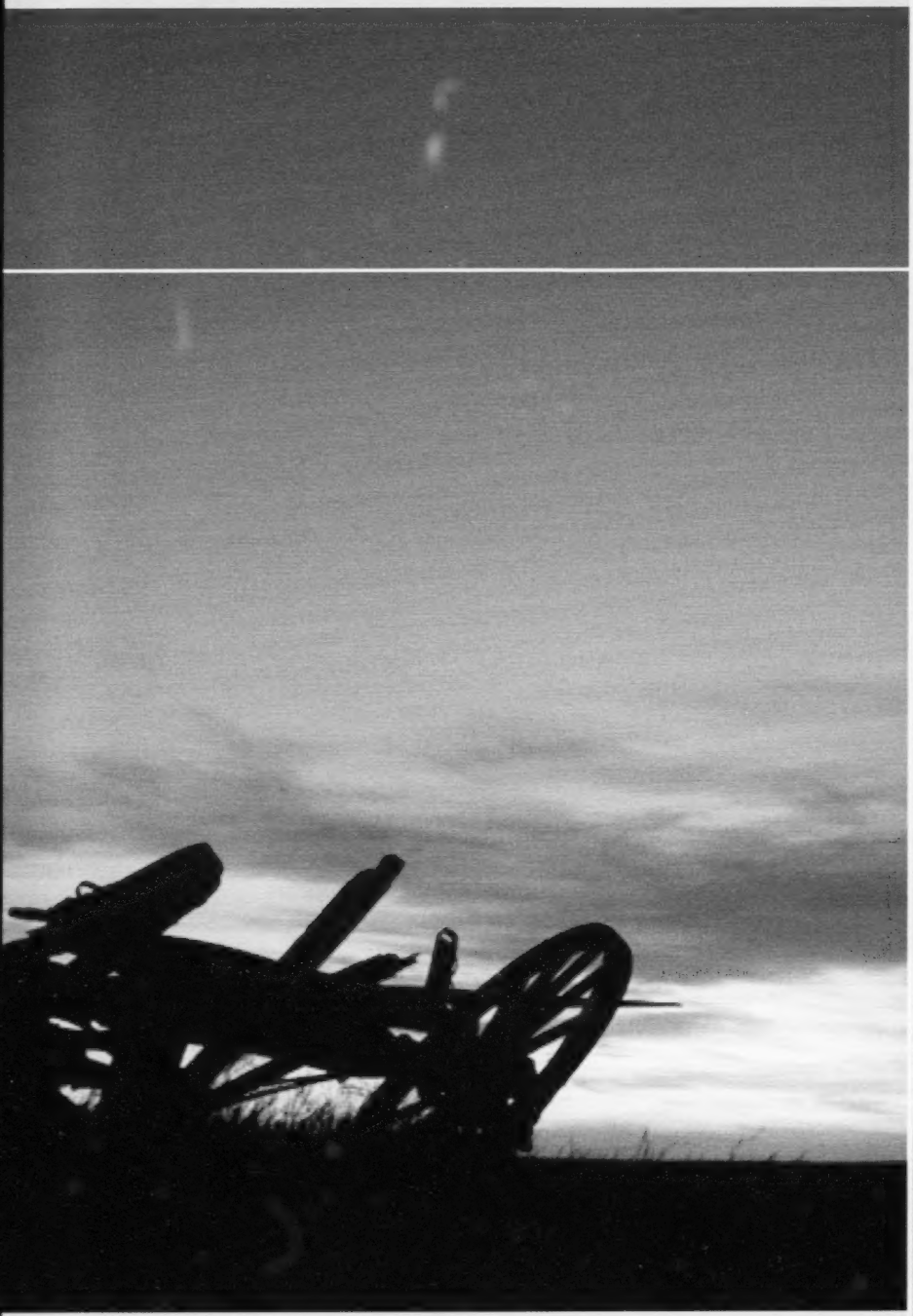
The West is in. And the Canada West Foundation helped put it there. Over the past 40 years, our research and commentary has improved government policy and decision making. Today, the West is on the national agenda and is at the forefront of the most important debates that will shape our country.

We give the people of British Columbia, Alberta, Saskatchewan and Manitoba a voice. A voice for their dreams, interests and concerns. As westerners, we understand the people and the places of the West. We know our history and how it influences our future. Whether it is the economy, energy, environment, education, healthcare, taxes, social services, urban issues, provincial-federal relations or any other policy area of importance to the West, we have researched it, commented on it, stimulated debate about it and recommended practical options for improving the policy response. Democracy lives.

Our credentials are impressive. We have the policy and economic experts you need. Our Board of Directors represent the who's who of the four western provinces. Our list of projects is long. We're just like the West. Absolutely essential. Absolutely part of Canada's success.

More information can be found at www.cwf.ca.

The Canada West Foundation is a registered Canadian Charitable Organization (#11882 8698 RR 0001).



Sunset on a Saskatchewan prairie landscape

Photo by Tyler Olson

ANNUAL REPORT

2009/10

CanadaWest
FOUNDATION

Our Vision
A dynamic and prosperous West in a strong Canada.

Our Mission
A leading source of strategic insight, conducting and communicating non-partisan economic and public policy research of importance to the four western provinces and all Canadians.

FSC Recycled

MESSAGE FROM THE THE PAST CHAIR

Ensuring a smooth succession that takes your organization "to the next level" is one of the most important tasks that all of us with senior responsibilities can perform. A good succession ensures that the organization will continue to be effective. It may go in new—or even unforeseen—directions, but you will sleep well knowing that it is good hands.

Let me tell you, I have been sleeping very soundly since Jim Dinning became the new Chair of the Canada West Foundation.

Jim's years as an MLA, Cabinet minister and Executive Vice President of TransAlta Corporation, combined with his ongoing role as the Chair of Western Financial Group and as Chancellor of the University of Calgary (and a graduate degree in public administration to boot) make him uniquely suited to the task of chairing the Foundation's Board of Directors.

The Canada West Foundation stands for objective debate from a western perspective about critical public policy issues. That western perspective is achieved by being based in the West (we have offices in all four western provinces), by focusing on western examples, by canvassing the opinions of western Canadians, and by highlighting the particular challenges and opportunities facing the region. When all is said and done, the Canada West Foundation is about identifying and promoting the aspirations of western Canadians to all Canadians.

Jim Dinning personifies the western perspective. He has travelled to many places, but has chosen to make the West his home. He knows the region like the back of his hand, he has a deep appreciation for how westerners see the world, and he has a passion for both the West and Canada that is infectious. Jim also understands the value of informed decision-making and democratic debate. As such, he is the ideal person to be at the wheel of the Canada West Foundation's Board of Directors. I wish him, the Board, and the staff at the Foundation all the best.

As for myself, I will remain deeply involved with the Canada West Foundation from my new perch as its Honourary Chair. Of the many things that interest me, I know that the public policy focus of the Foundation is vital because of the huge impact that public policy decisions have on virtually every aspect of our lives. For example, policy incentives to encourage healthier and more active lifestyles would contribute significantly to our personal quality of life and the financial sustainability of our social programs.

Hence, the importance of the Canada West Foundation's nonpartisan analysis of policy alternatives. The Foundation is about making policy better and that means making our lives better.

I could not be prouder to have served this organization as its Chair and I look forward to many more years of lively debate and creative ideas from it. I take my hat off to the Board and the staff for all that they have done for the West and for Canada.

James K. Gray,
Chair (1994-2009), Canada West Foundation

MESSAGE FROM THE CHAIR

2009. A provincial election in British Columbia and the subsequent launch of the Harmonized Sales Tax. Alberta's economic and fiscal struggle and its subsequent reversal on its oil and gas royalty structure. Saskatchewan's resurgence in the face of a global economic meltdown. Manitoba's change in leadership with the swearing in of Premier Greg Selinger. And then a federal government in stimulus mode trying to ward off a recession that sent the American and other global economies into a tailspin.

Combine all that with a period of internal restraint.

That was the public policy and financial environments Canada West Foundation faced in 2009. A veritable feast of public policy issues to dig into.

One of the publication highlights was the Foundation's paper, *Sharing the Load*, a critique of a Pembina/Suzuki study of the *Economic Implications of Reducing Greenhouse Gas Emissions in Canada*. In response to the study's claim that ambitious reductions could be achieved without serious economic consequences for western Canada, the Foundation's paper made the case that Canadian climate policies must accommodate regional differences. Failure to do so means that climate policies will not be effective, their negative economic impact will be exacerbated unnecessarily, and the political union in Canada will be badly strained.

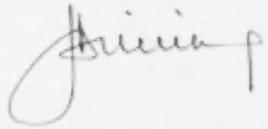
Our focus going forward will be on issues relevant to the West: in particular, energy and environment, and water. All of these public policy issues must be managed thoughtfully if Canadians are to continue enjoying their current standard of living. The Foundation will be here to contribute knowledge and informed opinions to the debate.

The Canada West Foundation is fortunate to have a strong, representative board of directors in western Canada. Men and women who care deeply about Canada and give freely of their time. I want to thank them for their efforts and commitment.

In particular, I want to thank Jim Gray who stepped down as Chair after over two decades on the job. Jim is a Canadian icon whose passion for Canada and its West—and the Foundation—knows no bounds. We are thankful for his exceptional leadership of the organization.

Roger Gibbins and his team deserve special recognition for their commitment to the Foundation. As we faced a year of serious restraint, the whole team absorbed wage rollbacks and other benefit reductions. We admire their sacrifice and are thankful to have them on our team.

I'm grateful for a group of thoughtful western Canadians who came together some 40 years ago to create the Canada West Foundation. As we showcase policy innovation in the West, increase understanding of the West's unique characteristics, and articulate practical and creative alternatives to the public policy status quo, we fulfill the ambitions of our founders. The value of having a think tank dedicated to understanding the West and its relationship with the rest of the country was important then. Today it's essential.



Jim Dinning,
Chair, Canada West Foundation

MESSAGE FROM THE PRESIDENT AND CEO

The 2009 financial rollercoaster has left a legacy of economic uncertainty, much of it acutely personal. What does this volatility mean for our economic prospects, for those of our children, for the money we have invested in our homes and RRSP's?

The bad news is that the uncertainty is here to stay. The good news is that a close reading of the entrails of the past year supports optimism for the western Canadian economy as we compete in a turbulent world.

It is comforting that the larger Canadian economy within which we are embedded performed better than most industrialized economies in 2009. Both federal and provincial finances are in reasonably good shape, and our public debt challenges can be met without massive program cuts or tax increases.

Moreover, western Canada's leadership within the national economy will continue. Although the regional economy will always be exposed to price swings in resource markets, those markets are likely to remain strong in the face of global population growth and increasing prosperity in the developing world. We produce a lot of what a resource-hungry world needs, and despite inevitable short-term booms and busts, the overall trajectory is upward.

Another conclusion from the entrails of 2009 is that the centre of gravity for the global economy will continue to move from Europe and the United States to Asia, South America, parts of the Middle East, and parts of Africa. China's economic boom is far from a blip; it is an enduring part of the new economic reality.

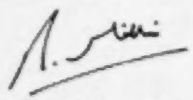
This evolutionary shift, with Asian economies leading the way, will play well in western Canada where proximity to Asian markets is a significant advantage.

However, good fortune will not fall into our laps and complacency is an ever-present threat; we will have to work hard to develop the physical and cultural infrastructure needed to access those markets.

The past year also made it clear that policy debates around the production and consumption of energy will be even more important in the decade to come. The collapse of the international climate change negotiations in Copenhagen at the end of 2009 means only that the broad climate change debate will shift to a more specific debate on energy production and consumption—a shift of huge significance to western Canada where a diverse range of energy assets abound.

This all means that the Canada West Foundation will continue to make a critically important contribution to the region and the country in the year leading up to our 40th Anniversary in 2011. The Foundation's expanding work in energy policy in a carbon-constrained world could not come at a better time. The Foundation's longstanding interest in economic diversification is also timely as policy discussions shift to the potential impact of Asian resource demand on diversification in western Canada. More generally, our determination to ensure a constructive western Canadian voice in national policy discussions aligns perfectly with the West's economic strength and the potential for national policy leadership that such strength provides.

We will therefore be in the thick of things, providing a research-based but also impassioned western Canadian voice in national policy deliberations. We cannot help with the volatility of your RRSP, but we can help ensure economic prosperity in this special corner of the world.



Roger Gibbins, President & CEO

OUR ORGANIZATION

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Vice President, Operations
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Director of the British Columbia Office
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Shannon Munsie
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OUR RESEARCH

THE WEST IN CANADA PROJECT

When the Canada West Foundation was created almost 40 years ago, its founders realized that a better understanding of western Canada and greater input from the region into national decisions were essential elements of both a thriving and prosperous West and a thriving and prosperous Canada. If some parts of the country are misunderstood, ignored or treated unfairly, all Canadians suffer.

Canada is a wonderfully diverse country with its people spread across the second largest land area of any nation-state in the world. There are many things that tie us together as Canadians, but there is no doubt that each part of the country is unique and brings a different set of characteristics and perspectives to the national table. Understanding and integrating this diversity is a challenge as big as Canada itself.

As the country continues to wrestle with a wide range of public policy challenges, the West in Canada project is working to ensure that western Canadian voices are heard and understood in the national conversation. Project themes include public policy innovation in the West, regional cooperation, democratic renewal, federal-provincial relations and public opinion in western Canada.

Extraordinary Conversations with Western Canadians

Spearheaded by Executive-in-Residence Sheila O'Brien, this forward-looking initiative involves asking 50 western Canadian community leaders to answer the following question: What do we have to do to ensure that western Canada remains a great place to live in the 21st century? The results of these truly extraordinary conversations will provide a timely and provocative vision for the region's future in late 2010.

Strengthening Federalism: Senate Reform

Canada's regional diversity demands an effective and democratically legitimate regional voice within our national Parliament. The Senate is supposed to fulfill this critical function, but it fails to do so for a variety of reasons including the fact that Senators are appointed rather than elected. The Canada West Foundation has been seeking to address this problem since the early 1980s and our efforts continue to this day. Recent initiatives include a discussion paper outlining the four main reasons reform makes sense and a lively conference on the rationale for reform conducted in partnership with the Centre for Public Policy and Law at York University.

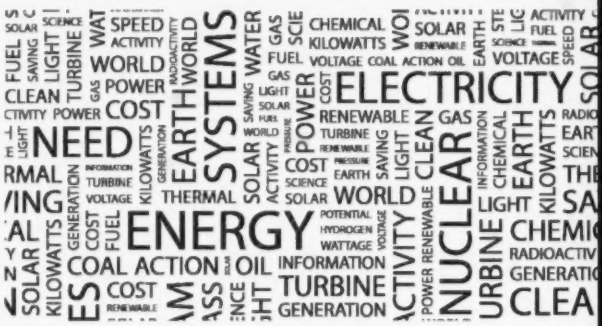
State of the West 2010: Western Canadian Demographic and Economic Trends

Knowing where you are and where you are going are fundamental elements of good public policy decision-making. To this end, the new edition of our popular State of the West report uses the latest statistics to present an up-to-date portrait of the demographic and economic trends that have shaped, are shaping, and will continue to shape, the four western provinces and their places in Canada. The report will be released in stages over the summer and fall of 2010.

ENERGY PROJECTS and INITIATIVES

New Energy Economy

How the world powers itself is likely to change significantly in the coming decades. The Canada West Foundation's New Energy Economy project is asking western Canadians what they think governments can and should do to help the West make a successful transition to a world where renewable energy is the norm. The result will be a set of concrete public policy recommendations designed to ensure that western Canada is a leader not a follower in the global transition to renewable energy.



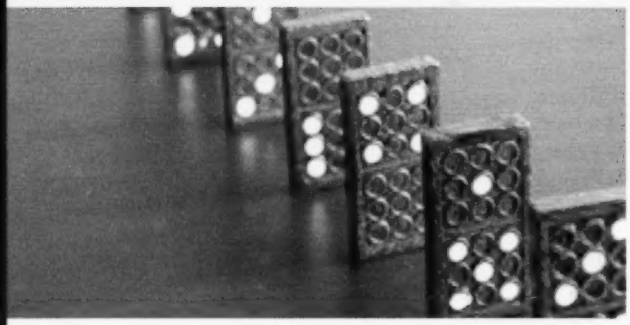
Changing the Climate: Canada's New Energy Environment

The Canada West Foundation has partnered with the Calgary Chamber of Commerce on a policy and speaker series that brings together the business community and international thought leaders to explore Canada's vision of energy and climate change. The program launched in May 2010 and will culminate in a major policy paper with strategic recommendations in November 2010.

Canadian Clean Energy Dialogue

Canada West Foundation supports the implementation of a Canadian clean energy strategy that will allow Canada to seize opportunities for a new prosperity in a low-carbon world, while recognizing regional diversity and mix of energy resources as a core Canadian advantage. To that end, the Foundation participated in the Clean Energy Dialogue in Banff, Alberta in the spring of 2010. A final report Towards a Canadian Clean Energy Strategy was released in the summer of 2010 by the Winnipeg Consensus Group describing the discussion and conclusions of this important dialogue, and advantages of moving forward with a national energy strategy.

OUR RESEARCH



ECONOMIC PROJECTS and INITIATIVES

Going for Gold: Western Canada in the International Economic Arena

Western Canadians know that more economic activity is good, but that more diverse economic activity is even better. In keeping with this, and in partnership with Western Economic Diversification Canada, the Canada West Foundation has been exploring options for improving western Canada's international economic competitiveness through its *Going for Gold* project. In 2010, three research papers will explore the impact of the "green economy," electricity-based transportation development in the West, and the impact of western Canada's trade with China and India on the region's level of economic diversification.

Saskatchewan Tax Project

While people often talk about the amount of taxes they pay, the type of taxes paid and how they are structured are also critical issues. To help address this gap in the debate, the Canada West Foundation has partnered with the Saskatchewan Chamber of Commerce to conduct a comprehensive study of how Saskatchewan's tax system could be improved. The project outputs are expected to be released in the early fall of 2010.

Western Canadian Economic Expectations

What do the experts think about the current state of western Canada's economy? To find out, the Canada West Foundation and the Western Centre for Economic Research at the University of Alberta School of Business conduct a survey of over 2,000 economists and financial analysts two times a year. The results measure the pulse of the regional economy.

Currents: Western Canada's Monthly Economic Bulletin

Currents is a monthly economic bulletin, which draws on economic indicators for the four western provinces to provide insights into the western Canadian economy. *Currents* is sponsored by the Canadian Western Bank.

ENVIRONMENTAL PROJECTS and INITIATIVES

Alberta Water

This initiative seeks to explain why Albertans should be concerned with their water and current approaches to water resource management, and why new approaches must be considered today if Albertans are to have a water future tomorrow. This work resulted in a large series of research papers and presentations exploring financial or market-based mechanisms for sustainable water resource management, funded by the Alberta Water Research Institute (AWRI) and managed by the Canada West Foundation, entitled *The Value of Water.*

Water Pricing: Seizing a Public Policy Dilemma by the Horns

The *Water Pricing* project is exploring how jurisdictions—in Canada and around the world—have addressed the balance between effective water price points, environmental protection, and social equity. In collaboration with a panel of water experts, the project will culminate with the release of a Canadian water pricing strategy early in 2011.

OUR SUPPORT

MEMBERSHIP and SUBSCRIPTION PROGRAM

The Canada West Foundation Membership and Subscription programs serviced nearly 220 members in 2009 including individuals, corporations, nonprofit organizations and foundations from across Canada. The ongoing support for the program ensures that our work gives Canadians the opportunity to affect their community with nonpartisan, effective, western Canadian policy research and analysis.

Our generous Members and Subscribers from across the country contributed $203,537, which enhanced our objective debate and innovative research work on many projects and initiatives. Members and Subscribers received immediate release of this work, including our monthly newsletter and economic update report, the quarterly magazine, research publications and invitation to our events held in each of the four western provinces.

The commitment and support from our Members and Subscribers is not only appreciated, but necessary to the continued work of the Canada West Foundation. For 40 years the Foundation has dedicated itself to the West and its relationship with the rest of Canada. With the solid commitment of our Members and Subscribers, we shall continue to serve with innovation and integrity.

SPONSORS, PROJECTS and PROGRAM FUNDERS

The Canada West Foundation partners with many sponsors and project funders that support our work. Whether it is our roundtable discussions, events or our many projects and programs, our work is strengthened by this support and our continued success depends on it.

G. Maxwell Bell

Arthur J. E. Child

Frederick C. Mannix

Hon. James A. Richardson

FOUNDERS' ENDOWMENT FUND

The Founders' Endowment Fund is a permanent fund created in 1996 and named to honour the four founding members of the Canada West Foundation: G. Maxwell Bell, Arthur J. E. Child, Frederick C. Mannix, and the Honourable James A. Richardson. Based on generous donations from the families and estates of all four founders, and grown through donations from the Philanthropy Club (an innovative fundraising initiative from 2006-2008), the market value of the fund on December 31, 2009 was $7,500,576.

OUR 2009 SUPPORTERS

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Enbridge Inc.
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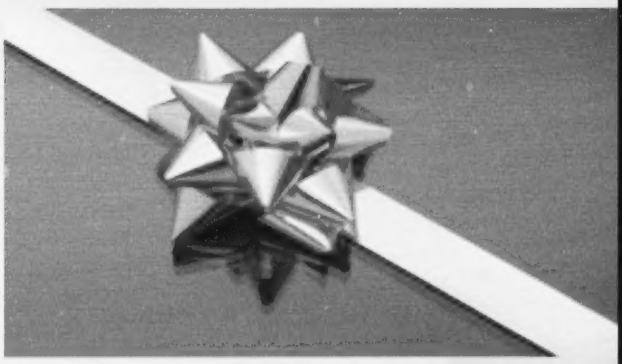

FRIENDS ($500-$999)
Alberta Ingenuity Fund
Bonterra Energy Income Trust
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CAA Saskatchewan
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Gail Surkan
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Additional thanks to the many FRIENDS who contributed between $100-$499 and to our many anonymous individuals, corporations, foundations and organizations.

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Saskatchewan Enterprise & Innovation
Shell Canada Ltd.
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Our Founders Endowment Funders
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Our Sponsors
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OUR SUPPORT

JIM HUME INTERNSHIP PROGRAM

James Borden (Jim) Hume was an ardent supporter of the Canada West Foundation. He served on the Foundation's Board from 1995 until his death in 2009 and through the Kahanoff Foundation was involved in many of our major projects spanning natural capital, regional economic development, and government gambling policy. He believed that a strong public policy voice from western Canada was of benefit to all Canadians, and that a prosperous West had both the opportunity and obligation for constructive, national leadership.

One of Jim's ongoing priorities was the need to encourage the active involvement of western Canadians in community life and public policy. In recognition of Jim's great contribution to the Canada West Foundation, the Foundation has created and will sustain *The Next West: A Youth Engagement Program in Recognition of Jim Hume.*

The program has three basic objectives:

- to provide professional training opportunities for young western Canadians with an interest in public policy through The Jim Hume Internship Program at the Canada West Foundation. A minimum of three University interns per annum will be recruited for terms ranging from 4 to 12 months.

- to encourage the interest of young Canadians in public life and public policy. The Canada West Foundation is now in the 5th year of a student essay contest in which undergraduate and graduate winners receive prizes of $5,000 each. The essays are published by the Foundation and supplemented by a number of new publishing opportunities.

- to provide a voice for young western Canadians in policy debates and agendas.

The Foundation embraces the priorities, perspectives and aspirations of young western Canadians through survey work, conferences and events.

2009/2010 Canada West Foundation Interns:

Saravie Brewer; Owen Jung; Candice Powley; Shawna Ritchie; Evan Wilson

NEW CANADA WEST FOUNDATION OFFICE

In 2009, the Canada West Foundation saw the opening of our third regional office in Saskatchewan. With Regional Directors working in the cities of Vancouver, Saskatoon and Winnipeg, the Foundation was able to provide direct communication and participation with our supporters, members and subscribers in each of the western provinces. Through our project and program funders and through personal donations, the Canada West Foundation organized a Community Dinner for our supporters in Calgary and also held a gala for the grand opening of the Saskatoon office. In addition, our sponsored event, In Conversation, was held in Winnipeg in 2009 featuring Canada West Foundation President & CEO, Roger Gibbins.

WINDOW ON THE WEST

Window on the West is the quarterly magazine that was produced for our Members and Supporters in 2008 and 2009. Created by our internal research staff with contributions from Regional Directors and Senior Fellows, the magazine provided thought-provoking discussion on key issues facing western Canada. The last issue of Window on the West was produced in the winter of 2009. Due to the overwhelming request for a quarterly publication release from the Canada West Foundation, we are pleased to announce that we are back in production and ready to release the first issue of our magazine in the fall of 2010. Stay tuned!

WEB AND SOCIAL MEDIA

The Canada West Foundation launched a new look to our website in 2009 and introduced social media and blogging to our communications platform. We blog on average three times per week on topics relevant to the West, as well as current events and initiatives we are working on. Those who wish to be engaged up-to-the-minute in what we're doing can subscribe to our RSS feed or find us on Twitter and Facebook where we post activities on a daily basis. We have also shared our monthly newsletter with over 7,000 recipients this year, keeping our members and followers up to date on our latest research. Our newsletter features a monthly review from the President and CEO and tracking of important media mentions. In 2009/10 the Foundation was covered over 1,200 times through print, broadcast, internet, radio, blog and website media.

NOTE: This information has been derived from the audited financial statements of the Canada West Foundation for the year ended December 31, 2009. A copy of the full audited statements is available upon request.

CANADA WEST FOUNDATION Statement of Financial Position, December 31, 2009, with comparative figures for 2008

		2009	2008
Assets	Current assets:		
	Cash and cash equivalents	$ 103,686	$ 73,930
	Accounts receivable	154,178	78,538
		257,864	152,468
	Investments (note 4)	7,500,576	6,348,384
	Furniture and equipment (note 6)	31,225	44,607
		$ 7,789,665	$ 6,545,459
Liabilities and Net Assets	Current liabilities:		
	Accounts payable and accrued liabilities	$ 58,605	$ 91,731
	Deferred contributions (note 7)	115,000	45,000
		173,605	136,731
	Net assets:		
	Restricted for endowment purposes (note 5)	6,111,134	6,086,482
	Internally restricted	832,047	832,047
	Unrealized gains (losses) on available for sale investments	273,894	(826,732)
	Unrestricted	398,985	316,931
		7,616,060	6,408,728
Commitments (note 9)			
		$ 7,789,665	$ 6,545,459

CANADA WEST FOUNDATION Statement of Revenues and Expenses, Year ended December 31, 2009, with comparative figures for 2008

		2009	2008
Revenue	Special projects and donations	$ 1,551,668	$ 2,382,117
	Investments and other income	243,871	258,823
	Members and subscribers	203,537	262,723
	Realized gain on sale of investments	11,428	39,664
	Publication sales	600	6,354
		$ 2,011,104	$ 2,949,681
Expenses	Research programs and special projects	$ 1,560,064	$ 2,525,896
	General and administrative	355,604	455,703
	Depreciation	13,382	17,422
		$ 1,929,050	$ 2,999,021
Excess (shortfall) of revenue over expenses		$ 82,054	$ (49,340)

See accompanying notes to financial statements.

CANADA WEST FOUNDATION Notes to Financial Statements, Year ended December 31, 2009

The Canada West Foundation (the "Foundation") was formed to engage in research and education in the area of economic, social and public policy. The Foundation is a not-for-profit organization under Section 149(1) of the Income Tax Act and accordingly is not taxable on the revenues it receives and earns from operations.

1. Significant accounting policies:

(a) **Cash and cash equivalents:**

The Foundation considers all highly liquid investments that are readily convertible to cash or with an original maturity of three months or less to be cash and cash equivalents. These consist of cash and term deposits.

(b) **Furniture and equipment:**

The computer equipment, phone system and furniture are recorded at cost. Depreciation is provided on a declining balance basis at an annual rate of 30%.

(c) **Revenue recognition:**

The Foundation follows the deferral method of accounting for contributions. Deferred contributions are revenues received in the current year that are used for projects in the upcoming years. Special projects, corporate donations and membership revenues are recognized when payments are made or committed. Donations received in kind are recorded at fair market value, determined at the date the donation is made. Endowment contributions are recognized as a direct increase in net assets.

(d) **Investments:**

Using the available for sale classification, investments are recorded at fair value at each balance sheet date as established by the closing bid price for trading on the recognized exchange on which the investment is listed or principally traded. Realized interest and dividend income are recognized as they are earned or declared and realized net capital gains or losses are recognized in the statement of revenue and expenses. Unrealized gains or losses are recognized in net assets and are transferred to earnings when the investment is derecognized.

(e) **Use of estimates and assumptions:**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Areas requiring management estimates relate to the fair value of investments, the collectability of accounts receivable and the useful life of furniture and equipment. Actual results may differ from these estimates.

(f) **Financial instruments:**

All financial instruments are initially recognized at fair value on the balance sheet date. The Foundation has classified each financial instrument into the following categories: held for trading financial assets and liabilities, loans or receivables, held to maturity investments, available for sale financial assets and other financial liabilities. Subsequent measurement of the financial instruments is based on their classification. Unrealized gains and losses on held for trading financial instruments are recognized in earnings. Gains and losses on available for sale financial assets are recognized in net assets and transferred to earnings when the asset is derecognized. The other categories of financial instruments are recognized at amortized costs using the effective interest rate method. The Foundation has classified cash and cash equivalents as held for trading, accountsreceivable as loans and receivables, investments as available for sale, and accounts payable and accrued liabilities as other liabilities.

(g) Capital disclosures:

The Foundation is required to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether entities have complied with externally imposed requirements. The Company complied with any additional financial statement disclosure requirements resulting from this standard.

2. Change in accounting policy:

Effective January 1, 2009, the Foundation adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to the 4400 Sections of the CICA Handbook. These amendments eliminate the requirement to show net assets invested in capital assets as separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flow. Adoption of these recommendations has no significant impact on the financial statements for the year ended December 31, 2009 except for a reclassification in the prior year net asset comparative figures.

Effective January 1, 2009, the Foundation adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to section 1000 Sections of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations has no significant impact on the financial statements for the year ended December 31, 2009.

3. Financial instruments:

(a) **Fair value of financial assets and financial liabilities:**

Financial instruments include cash, term deposits, accounts receivable, and accounts payable and accrued liabilities and approximate their carrying value because of the shortterm nature of these instruments. Investments are recorded at fair value.

(b) **The Foundation has exposure to the following risks from its use of financial instruments:**

(i) Credit risk: The Foundation's maximum exposure to credit risk is on cash, term deposits, accounts receivable and the investment in the endowment fund noted above. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Cash consists of cash bank balances; the term deposit represents a short-term investment with a Canadian bank. Credit risk for accounts receivable and the fund investment is the risk that the obligation will fail to be discharged causing the Foundation to incur a financial loss. Credit risk is minimized by ensuring that term deposits are limited to amounts covered by insurance limits, that credit is only extended to those entities that management believes has the financial capacity to pay obligations due to the Foundation, and the fund investment are diversified across different classes of assets and are such investments are managed by professional managers. Management and the Board of Directors of The Foundation periodically review its investments to ensure that the credit risk assumed is appropriate.

CANADA WEST FOUNDATION Notes to Financial Statements, Year ended December 31, 2009 (Continued)

3. Financial instruments (continued):

(b) *(ii) Liquidity risk:* Liquidity is the risk that the Foundation will encounter difficulty in raising donations or liquidity investments to meet commitments or protect its assets. Management controls liquidity risk through cash flow projections used to forecast funding requirements for its financial instruments.

(iii) Market risk: Current and future investments in the endowment fund are subject to market risk due to changes in the value of investments in the fund. Fluctuations in general market interest rates have an impact on investments returns in the term deposits and fixed income investments in the endowment fund. A 1% reduction market interest rates would reduce the investment returns by $75,005.

(iv) Interest rate risk: The Foundation is exposed to interest rate risk relating to the income earned on its interest bearing investments as most of these investments have a fixed interest rate for a specified period of time. A 1% reduction in interest rates would reduce the interest income earned by $75,005.

4. Investments:

	Cost (2009)	Market Value (2009)	Cost (2008)	Market Value (2008)
Common stocks	$ 4,362,872	$ 4,504,154	$ 3,822,617	$ 2,956,141
Government and corporate bonds	2,800,991	2,933,800	3,138,076	3,178,098
Cash	62,622	62,622	214,145	214,145
	$ 7,226,485	$ 7,500,576	$ 7,174,838	$ 6,348,384

5. Net asset balances:

No distribution of endowment capital is permitted. During the year, the Foundation received endowment contributions of $24,652 (2008 - $388,624), which have been recognized as a direct increase to the endowment capital.

The Foundation is allowed to use 5% of the total market value of the endowment as at the previous year end for operating purposes, provided the market value of the endowment is not below the donated capital. For 2009, the restricted market value of the endowment fund was $6,111,134 (2008 - $6,086,482).

6. Furniture and Equipment:

	Cost	Accumulated Depreciation	Net Book Value 2009	Net Book Value 2008
Computer equipment	$ 176,392	$ 154,893	$ 21,499	$ 30,712
Phone system	17,921	16,545	1,376	1,966
Furniture	60,903	52,553	8,350	11,929
	$ 255,216	$ 223,991	$ 31,225	$ 44,607

7. Deferred Contributions:

	2009	2008
Balance, beginning of year	$ 45,000	$ 227,587
Contributions received	708,333	320,191
Recognized as revenue	(638,333)	(502,778)
	$ 115,000	$ 45,000

Contributions received are recognized as revenue on special projects when expenditures are incurred.

8. Operating Loan:

The Foundation has access to a $200,000 revolving operating facility due on demand and bearing interest at bank's prime rate plus 1.0%. The facility is secured by a general security agreement and business loan insurance in the amount of $200,000. As at December 31, 2009 and 2008 no funds have been drawn on this facility.

9. Commitments:

The Foundation has entered into certain operating lease commitments for office space and equipment with future payments as follows: 2010-$214,598; 2011-$216,996; 2012-$155,735; 2013-$25,053; 2014-$688.

10. Capital Management:

The Foundation's objectives, policies and processes for managing capital include maximizing interest earned on donation cash proceeds. All cash donations are deposited in the general account and excess funds in term deposits. The Foundation does not have any externally imposed capital requirements.

2009/10 PUBLICATIONS

Business Taxation in Western Canada: Settling for a Personal Best? *by Kenneth McKenzie*

National Energy Security from an Exporter's Perspective: The Canadian Experience *by Pierre Alvarez, Michael Cleland and Roger Gibbins*

Time for a Tune Up: Personal Income Taxation in Western Canada *by Kevin Milligan*

Efficient Cities: The Interrelationship Between Effective Rapid Transit Systems and the Optimal Utilization of Land Use Entitlements *by Phil Boname, Julie Zhu, Cody Matheson*

Prairie Agriculture at the Crossroads: time for a New Policy *by Greg Mason*

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Economic Development Issues for Rural Communities in the Four Western Provinces: 2010–2015–2020 *by Roslyn Kunin*

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Periodicals

Windows on the West

Currents: Western Canada's Economic Bulletin

Oil Sands Media Monitor

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